

April 16, 2002

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LOS ANGELES COUNTY RESPONSE TO GOVERNMENT PERFORMANCE PROJECT SURVEY RESULTS

Dear Dr. Ebdon:

Thank you for your response regarding the Government Performance Project's (GPP) grading of Los Angeles County's Capital Management Program (Capital Program). We have reviewed our survey response and supporting documentation in the context of your clarification and the GPP grading criteria specified in Governing's February 2002 publication. We also compared the grade assigned to the County's Capital Program with those assigned to other counties that are facing similar challenges. Based on this review, we have concluded that:

- the County's five-year Strategic Asset Management Plan was included in the supporting documentation that accompanied our survey response;
- it is acknowledged that our survey response provided an incomplete view of the County's capital inventory and management systems. Such systems do exist and while they are not fully integrated, they are utilized to effectively manage the Capital Program;
- the amount of the maintenance backlog identified by the County was \$215.9 million rather than the \$2.0 billion referenced in the GPP evaluation comments;
- the County's survey response and supporting documentation did address each of the GPP grading criteria identified in Governing's February 2002 publication; and
- the grade assigned to the County's Capital Program appears to be inconsistent with those assigned to other counties with similar evaluations.

Based on these factors, I am convinced that the County's response did address the GPP

criteria. Further, it appears that a significant amount of information that was provided as supporting documentation or through subsequent interviews with my staff was not considered in the grading process. As such, the grade assigned to the County's Program appears to be inconsistent with the evaluation criteria and is certainly not indicative of the County's performance and effectiveness in this crucial area.

Evaluation Criteria and the County's Survey Response

Your response indicated that the lack of a long-term plan and incomplete inventory and financial systems served as the basis of the grade assigned to the County's Capital Program. Such factors, you noted, are crucial to effective capital planning and management. The GPP evaluation criteria reinforce your comments by focusing on the analysis and prioritization of future needs, the existence of a multi-year linkage between strategic planning, operating budgeting, and capital budgeting, and the adequacy of project and program monitoring.

The importance of these factors cannot be argued. The manner or method that jurisdictions utilize to address each factor will differ in significant and subtle ways, depending on a wide range of variables. The County has adopted an incremental approach to addressing long-term capital needs. Such needs have been identified through a long-term plan and are continuously prioritized to accommodate ongoing and emergent operational demands and funding constraints.

Based on the grade assigned to the County's Capital Program, it is apparent that the GPP did not endorse such an approach. Further, it failed to recognize the tangible progress the County has made in addressing its capital needs over the past three years and the effectiveness with which it manages the development and delivery of its capital projects. For the record, the County's approach has resulted in the funding of 351 high priority capital projects in 2002-03, of which 140 are under construction.

Long-Term Plan

The County's five-year Strategic Asset Management Plan (SAMP) describes the County's approach to asset management and the process and criteria that is employed to evaluate, prioritize, and meet its space needs. In addition, it provides projections of departmental staffing requirements for the next five years, a schedule of remaining space lease terms, and a detailed listing of \$215.9 million in unfunded deferred maintenance needs. The SAMP was approved by the Board of Supervisors in May 2001 and was included in the supporting documentation submitted with the County's survey response. As previously stated, the reference to a \$2.0 billion maintenance backlog should be corrected to reflect the \$215.9 million specified in the SAMP.

Analysis of Future Needs

In 1999, the County identified \$1.6 billion in unfunded facility needs based upon input from departments, communities, and various studies. This list has served as the basis for a process of prioritization that has continued without abatement for three years. As noted in our survey response, this process entails a review of each capital request to ensure consistency with County and departmental strategic plans and operational requirements and prioritizes proposed projects on the basis of life/safety issues, potential liability, statutory requirements, and the availability of adequate and viable funding.

This assessment and prioritization process is applied on an ongoing basis and culminates in the presentation of project recommendations to the Board of Supervisors through the annual budget process. Due to the ongoing nature of the analysis, however, and the County's ever-changing operational needs, the annual Capital Projects/Refurbishments Budget must be viewed not as a one-year funding plan, but rather, as one part of an ongoing, multi-year approach to capital planning.

The County has successfully utilized this approach to fund or address 80.4% of the \$1.6 billion in unfunded facility needs. Since 1999, \$589.7 million has been appropriated by the County to fund the highest priority capital needs and \$58.4 has been appropriated for major deferred maintenance. An additional \$235.2 million in potential capital projects are currently under review to determine their feasibility and recommendations regarding \$467.4 million in health-related capital projects are pending the resolution of significant operational and funding issues surrounding the future of the County's health system.

This approach and process is consistent with the GPP evaluation criteria and was discussed in the follow-up interviews with my staff. It is not reflected, however, in the final GPP evaluation and grade of the County's Capital Program.

Capital Asset Inventory

The County does maintain an inventory of its physical assets. The inventory, at the time of the survey, identified the type, age, location, and size of each facility. Our survey response noted that condition assessments were underway for the County's probation, health, parks, and unreinforced masonry facilities. With the exception of the parks study, these studies have since been completed and data regarding historical designations, required repairs, building code issues, and the estimated cost to improve the condition of the assets to "good" and "excellent" levels, have been incorporated into the inventory database. The parks study will be completed this summer as well as a separate database of recommended energy efficiency improvements which recently began development.

The County's survey response did not address the inventories issue due to an overly literal interpretation of the questions. The status of the County's asset inventory and the developments referenced above, however, was emphasized during the subsequent staff interviews. The GPP evaluation verified such progress by identifying the "new inventory system" as a positive aspect of our Capital Program.

Financial and Project Management Systems

The County's survey response did acknowledge that the County lacks an integrated financial/capital information management system that fully meets our needs. Clarification was provided during the subsequent interviews that the County does maintain separate financial and capital information systems and utilizes both systems to maintain control over project budgets and scopes.

The capacity of our systems is apparent in the supporting documentation provided with the County's survey response. The Proposed 2001-02 Capital Projects/Refurbishments Budget identifies current appropriation requirements and funding sources for each project as well as a description of the project, project phase, completion date and total project cost estimate. A separate reporting system is utilized to monitor project expenditures and funding availability and to adjust total project cost estimates and cash flow projections on a monthly basis. Samples of total project cost estimates and project cash flow reports that are updated on a monthly basis were provided as supporting documentation to the County's survey response.

The fact that these systems have yet to be fully integrated or may not fully meet the County's needs has not constrained our ability to effectively manage the Capital Program or to present detailed information in a timely and comprehensive manner. The effectiveness of the County's project management function was noted in the GPP evaluation as positive aspects. Accordingly, the accuracy and level of detail in the information that is provided by a management system or systems, rather than the ease of retrieving such information, should serve as the basis for grading the capability or effectiveness of the County's management.

Linkage with Operating Budgets and Strategic Plans

As stated above, each proposed project is reviewed in terms of its consistency with the County's and department's respective Strategic Plan. In addition, each project's one-time and ongoing operational requirements are estimated and reported to the Board of Supervisors when project recommendations are presented for consideration. Such estimates are also included in the County's multi-year budget forecast for overall planning purposes. Samples of the County's Operating Cost Estimate worksheet and Board reports on project operating costs were submitted as part of the supporting documentation.

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Comparison with GPP Grades Assigned to Other Counties

Finally, a number of counties received higher grades than Los Angeles County although their written evaluations were strikingly similar. In some cases, the GPP evaluations identified a number of negative factors that were shared by Los Angeles County. The other counties, however, were assigned higher grades. In other cases, county evaluations reflected negative comments in areas that were noted as positive aspects in Los Angeles County's Capital Program. Yet, Los Angeles County was assigned a lower grade.

While I recognize that your analysis was, by its nature, subjective, I feel that your conclusion that Los Angeles County does not engage in a high quality capital planning effort is simply wrong. Your rating is an injustice to the County and I am hopeful that future GPP surveys will place a greater emphasis on consistency in approach and analysis. A summary of these inconsistencies has been attached for your review.

Thank you again for the clarification you provided on these issues. I hope that the information and perspective we are providing in this letter will help establish a more positive and consistent baseline to work from in future surveys.

Very truly yours,

DAVID E. JANSSEN
Chief Administrative Officer

Attachment

DEJ:SRH
SNY:DJT